

**Thames Water Pension Scheme (“the Scheme”)
Statement of Investment Principles**

February 2026

This document is the Statement of Investment Principles (Statement) made by the Trustee of the Thames Water Pension Scheme (the “Trustee”) in accordance with the requirements of the Pensions Act 1995 (as amended by the Pensions Act 2004). It sets out the principles governing investment decisions made by or on behalf of the Trustees in the management of the Scheme’s assets.

The Trustee will review this Statement at least every three years and immediately following any significant change in investment policy. The Trustee will take investment advice and consult with the Sponsoring Employer over any changes to the Statement.

Investment Objective

The Trustee aims to invest the assets of the Scheme in an efficient manner to ensure that the benefits promised to members are provided. In setting the investment strategy, the Trustee first considers the lowest risk asset allocation that it could adopt in relation to the Scheme's liabilities. The asset allocation strategy they have selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Scheme’s liabilities. The overall objective has been agreed with the Sponsoring Employer and is as follows:

To set an investment strategy which minimises the risk of having to ask the company to pay additional contributions, by keeping the funding level healthy. This equates to a target to outperform an appropriate portfolio of government bonds by around 1.0% p.a. It should be noted that this target is under review in conjunction with the Scheme’s position relative to it’s objectives on an ongoing basis.

This Statement of Investment Principles meets the requirements of the Pensions Act 1995 (amended by the Pensions Act 2004) and the Occupational Pension Schemes (Investment) Regulations 2005. The Trustees also comply with the requirements to maintain and take advice on the Statement and with the disclosure requirements.

STRATEGY

The Scheme's investment strategy is managed and monitored using a Pensions Risk Management Framework ("**PRMF**") which outlines the Scheme's funding objectives and risk constraints. The PRMF was set by the Trustee following advice from the investment consultant, based on results from an Asset-Liability Management analysis and a survey exercise of the Scheme's key stakeholders. The PRMF is reviewed and monitored by the Trustee on at least a quarterly basis including the expected return on assets as provided by the investment consultant.

The Trustee's policy is to target a level of hedging so that the value of the Scheme's assets broadly mimics the movement in the value of the Scheme's liabilities. This includes:

- Interest rate risk hedging: the policy is to hedge a material amount of the interest rate risk inherent within the liabilities to protect the Scheme from fluctuating long-term interest rates.
- Inflation hedging: the policy is to hedge the inflation risk inherent within the liabilities to protect the Scheme from changes to inflation expectations.

The asset allocation was determined with regard to the actuarial characteristics of the Scheme, in particular the strength of the funding position and the liability profile. The Trustee's policy is to make the assumption that growth assets such as diversified growth funds and credit will outperform gilts over the long term. However, the Trustee recognises the potential volatility in growth asset returns, particularly relative to the Scheme's liabilities, and the risk that the fund managers do not achieve the targets set. When choosing the Scheme's asset allocation, the Trustee considered written advice from its investment consultants and, in doing so, addressed the following:

- The need to consider a full range of asset classes.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

The asset allocation will normally be reviewed alongside the triennial actuarial valuation. However, the Trustee may also review when circumstances relating to the Scheme change significantly, for example (but not exclusively):

- A material improvement or deterioration of the Scheme's funding position versus its liabilities.
- A significant strengthening or weakening of the sponsoring employer's ability to support the Scheme.
- A significant increase or decrease in the risk and downside expectations used to determine the asset allocation.

RISK

The Trustee recognises that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities (“funding risk”). The Trustee has identified a number of risks which have the potential to cause a deterioration in the Scheme’s funding level and therefore contribute to funding risk. The primary risks are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors (“mismatching risk”). The Trustee and its consultants considered this mismatching risk when setting the investment strategy. The specialist LDI portfolio is used to significantly reduce the risk of a mismatch between the movement of the Scheme’s asset and liability values to changes in interest rates and inflation expectations. A large proportion of the Scheme’s assets are Sterling based (or hedged back to Sterling) to reduce currency risk relative to the liabilities.
- The risk of a shortfall of liquid assets relative to the Scheme’s immediate liabilities (“cash flow risk”). The Trustee and its consultants will manage the Scheme’s cash flows taking into account the amount and timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund managers to achieve the rate of investment return assumed by the Trustee (“manager risk”). This risk is considered by the Trustee and its consultants both upon the initial appointment of the fund managers and on an ongoing basis thereafter.
- The failure to spread investment risk (“risk of lack of diversification”). The Trustee and its consultants considered this risk when setting the Scheme’s investment strategy and have also mandated to each of the fund managers employed that a suitably diversified portfolio of assets should be maintained at all times.
- The possibility of failure of the Scheme’s sponsoring employer (“covenant risk”). The Trustee and its consultants considered this risk when setting investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence (“operational risk”). The Trustee has sought to minimise such risk by ensuring that all consultants and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Climate Risk

- The processes for identifying, assessing and managing climate-related risks are in line with the Scheme’s wider Risk Management Framework. The ultimate responsibility for identifying, assessing, and monitoring climate-related risks and opportunities sits with the Trustee; however, the Trustee has delegated the day-to-day responsibilities to the Investment Sub Committee (“ISC”).
- In order to effectively carry out this responsibility, the ISC (and separately the Trustee) receive sufficient training, from the relevant consultants, on an ongoing basis in respect of climate-related risks and opportunities. The ISC monitor ESG reporting provided to them on an annual basis by their DB and AVC Investment Consultant. The ISC also obtain relevant climate metrics as set out under DWP’s adoption of the recommendations of the TCFD (the results of which are disclosed in the Scheme’s annual TCFD report). As part of this ongoing monitoring the ISC will consider whether to retain or replace any targets set in relation to these metrics.
- The ISC also relies on the manager research and internal modelling capabilities of their Investment Consultants to effectively assess climate-related risks and opportunities, this includes,

for example, carrying out climate change scenario analysis. This analysis is performed in relation to the Scheme's assets, liabilities, and covenant by the Trustee's consultants. Specifically:

- the asset analysis is performed by Gallagher, the Investment Consultant;
- the liability analysis is performed by Aon, the Scheme actuary;
- and the covenant analysis by Cardano, the Scheme's Covenant consultant.

- This analysis will be performed triennially; interim updates may be performed, for example if there are material changes to the Scheme's strategy, member demographics or if there are significant changes to the methodology and industry practice relating to the analysis. To this end, the Trustee will consider annually whether a refresh of the analysis is required. The results of these climate scenarios are aligned where possible to ensure a consistent approach is taken across the Scheme's entire funding strategy.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially following the Actuarial Valuation). Some of these risks may also be modelled explicitly during the course of such reviews.

Having set an investment objective which relates directly to the Scheme's liabilities and implemented it using a range of fund managers, the Trustee's policy is to monitor, where possible, these risks quarterly. The Trustee receives quarterly reports showing:

- Funding level attribution and progression, and analysis of risk and expected return.
- Performance versus the Scheme's investment objective.
- Performance of individual fund managers versus their respective targets.
- Any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustee.

AVC INVESTMENT RISK

Some members pay Additional Voluntary Contributions (“AVCs”) to the Scheme. As members typically use their AVC savings to provide some or all of their Pension Commencement Lump Sum, the Trustee considers the following types of risk:

- The risk that the investment returns over members’ working lives do not keep pace with inflation (“inflation risk”).
- The risk that the chosen investment manager underperforms the benchmark against which the investment manager is assessed (“manager risk”).
- The risk of a fall in the value of the members’ fund (“capital risk”).
- The risk that at retirement members are invested in assets which are too volatile (“investment risk”).
- The risk that wholesale switches between asset classes expose the members to market risk (“switching risk”).

IMPLEMENTATION

The Scheme's Investment Consultant operates under an agreement to provide a service which ensures the Trustee is fully briefed to take decisions themselves and to monitor those they delegate. They are paid a fixed-fee for the monitoring work they undertake for the Scheme, although additional work can be undertaken either on a fixed-fee or time-cost basis. This structure has been chosen to ensure that cost-effective, independent advice is received.

The Scheme uses different managers and mandates to implement its investment policies. When choosing investments, the Trustee ensures that, in aggregate, the portfolio is consistent with the policies set out in this Statement, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations 2005. The Trustee will also ensure that the investment objectives and guidelines of any particular pooled vehicle are consistent with their policies, where relevant to the mandate in question so far as is reasonably practicable.

Where segregated mandates are used, the Trustee will use their discretion, where appropriate, to set explicit guidelines within the Investment Management Agreement to ensure consistency with the Trustee's policies, where relevant to the mandate.

The fund manager structure and investment objectives for each fund manager ("mandates") are as follows:

Manager	Mandate type	Objective
Schroders LDI portfolio	Segregated	To manage the portfolio to a hedge ratio target using appropriate securities as outlined in their investment management agreement.
Oak Hill Diversified Credit Strategies Fund	Pooled	The Fund seeks to achieve attractive risk-adjusted total returns for its investors by investing primarily in the non-investment grade corporate debt markets in the United States and Europe.
KKR Global Credit Opportunities Fund	Pooled	The broad investment objective is to provide a risk-adjusted return through investment in a diversified portfolio of fixed income securities and financial instruments.
Fulcrum Diversified Absolute Return Fund	Pooled	The investment objective of the Fund is to aim to achieve long-term absolute returns of inflation + 3% to 5% in all market conditions over rolling five year annualised periods, with lower volatility than equity markets.
Ruffer Absolute Return Fund	Pooled	The fund aims to provide a return significantly greater than the return of cash, whilst aiming to not lose money on a 12 month rolling basis.
H.I.G Whitehorse Direct Lending Fund	Pooled	The fund aims to achieve an unlevered net IRR of 9%-11%

The Trustee has delegated all day-to-day decisions about the investments that fall within each mandate to the relevant fund manager through a written contract. This includes consideration of all financially material factors and other relevant matters including the capital structure of investee companies, actual and potential conflicts of interest and the Environmental, Social and Governance impact of the underlying holdings. The fund managers (to the extent delegated) are also required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4).

SOCIALLY RESPONSIBLE INVESTMENT

The Trustee's policy is to take into account factors that are considered to be financially material. Environmental, Social and Governance ("ESG") considerations (including but not limited to climate change) are considered to have an impact on risk and outcomes. The Trustee expects that the extent to which social, environmental or ethical issues may have a fundamental impact on the portfolio will be taken into account by the investment managers in the exercise of their delegated duties.

The Trustee recognises that a company's long-term financial success is influenced by a range of factors including appropriate management of ESG issues. Whilst it is the Trustee's preference that all companies should be run in a socially responsible way, it takes the view that its primary responsibility is to act in the best financial interest of the members of the Scheme. Where ESG factors are considered to be financially material, the Trustee will consider these factors over an appropriate time horizon. The Trustee's time horizon reflects the time horizon of the Sponsor's business and the Scheme's maturing liability profile.

For most of the Scheme's investments, the Trustee expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity where applicable to drive improved performance over these periods.

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. To monitor this the ISC have an agreed timetable to meet with each of their investment managers to receive an update of their climate-related reporting and to discuss any areas for improvement. The Trustee encourages the Scheme's investment managers to discharge their responsibilities in respect of investee companies in accordance with the Stewardship Code published by the Financial Reporting Council. The Trustee will monitor the activities of the managers on a regular basis but appreciate that its applicability may be limited for certain asset classes.

The ISC monitors climate-related risks and opportunities by reviewing an update from their Investment Consultants on at least an annual basis. This update includes how each manager incorporates climate change considerations into their investment process for the DB assets. Between each annual review, the Scheme's Investment Consultants raise points to note as appropriate and any key takeaways are reported back to the Trustee.

When considering the appointment of new managers, and reviewing existing managers, the Trustee, together with the investment consultant, look to take account of the approach taken by managers with respect to sustainable investing. This includes considering voting policies and engagement where relevant, as well as how managers take account of ESG-related risks in their management of the Scheme's assets, and the consistency of this approach with the Trustee's own beliefs.

The Trustee does not take non-financial factors, such as the Trustee's or members' ethical views, into account in making decisions about investment matters.

STEWARDSHIP POLICY

This policy sets out how the Trustee of the Thames Water Pension Scheme (the “Trustee” / “we”) practices effective stewardship as part of our fiduciary duty to act in the best financial interests of our members.

We understand good stewardship to be the responsible allocation, management, and oversight of capital to create sustainable value for the Scheme. We will aim to use our influence as an owner of assets to ensure that as far as possible best practices are reflected in terms of environmental, social and governance (“ESG”) factors, and we will hold our investment managers to account for the effective use of their influence as owners of assets.

Resourcing stewardship

Our approach to stewardship reflects our broad investment approach: our role is to hire appropriately skilled investment managers, set clear expectations, assess the quality of their performance, and hold them to account where we identify deficiencies or areas for further improvement. We, via the Investment Sub-Committee (ISC), carry out our stewardship through oversight and challenge of our investment managers rather than ourselves operating as active stewards directly of the underlying assets in which we invest.

Our key areas of focus

To best channel our stewardship efforts, we believe that we should focus on a selection of key themes. Our key themes have been selected by assessing their relevance to the Scheme and its members, the financially material risks that they pose, and the maturity and development of thinking within the industry that allows for ease of integration into our approach. The themes of the sponsor were also considered when selecting the themes for the Scheme. Our key themes are:

- Climate Change
- Biodiversity

Significance of stewardship in appointment and monitoring of investment managers

It is the responsibility of the ISC to lead our engagements with investment managers. We will not appoint investment managers that cannot demonstrate the standards to which we hold existing investment managers. These expectations can be summarised as:

- Effective processes for and delivery of stewardship activity, alignment with leading standards, and evidence of engagement related to our key themes, with the aim of positive change;
- Provision of tailored reporting on stewardship activities and outcomes;
- Participation as appropriate in public policy debates and the development of best practices.

We expect our investment managers to provide specific evidence they have acted in accordance with these expectations which should provide us with enough insight to ascertain whether our investment managers are practising effective stewardship that is best aligned with our long-term interests. Where we identify deficiencies we will escalate accordingly, with the ultimate response being the removal of mandates where we believe it is in the interests of our members to do so. We view incremental improvements by our investment managers as the key success measure of our own stewardship activities.

Engagement: expectations and process

We expect investment managers to engage with issuers to maintain or enhance long-term value of our investments and limit negative externalities on the planet and society. We recognise that there is no ‘one-size-fits-all’ stewardship approach and instead encourage our investment managers to prioritise stewardship opportunities and apply the most suitable/influential engagement strategies based on their in-depth knowledge of a given asset class, sector, geography and/or specific company or other asset.

Investment managers are expected to have robust ESG, climate change, and stewardship policies and processes in place. These are used to define how underlying companies are monitored and engaged with, how progress is measured, and when escalation is required. We expect manager engagement with companies to be underpinned by engagement on public policy matter where relevant. We expect that these assessments and progress in stewardship activities are tracked over time, to maintain continuity of activity and to assess the effectiveness of stewardship delivery. We will challenge our investment managers when we feel their engagements are not sufficiently focused on decision-makers such as management or board.

In order to drive corporate change, and where initial engagement has made little progress, we expect our investment managers to escalate engagement accordingly. We allow our investment managers discretion over the appropriate tools to deploy; however, we expect these to be communicated with issuers' management teams. Should there still be little progress made after escalation, we expect our investment managers to consider disinvestment as a final course of action.

Voting: expectations and process

The exercise of voting rights has been delegated to our investment managers. We therefore do not direct how votes are exercised within these mandates and do not have our own proxy voting provider. Nonetheless, we fully recognise and appreciate the value of voting as a signal or ultimate sanction in influencing company behaviour. As active owners, it is our responsibility to hold our investment managers to account for their voting activities to ensure they are exercising voting rights in our best interests. As such, we consider investment managers' voting policies and records, and require our investment managers to report significant votes to us as relevant.

Investment managers are expected to have their own voting policies, informed by leading global standards, and that fully integrate ESG considerations. Our investment managers are expected to be informed by the views of proxy voting service providers, but exercise discretion where their own views differ. The exercise of voting rights should form part of a wider engagement dialogue and if our investment managers wish to vote contrary to management recommendations, we expect this is communicated and our investment managers' views expressed to the company.

Whereas voting responsibilities are outsourced to our investment managers, we recognise that we have a fiduciary and regulatory responsibility to retain agency in the process. Investment manager oversight is the key mechanism for this, and we therefore hold our investment managers accountable not only for voting activity as a whole, but also how they have voted in significant votes. Under DWP Guidance, it is our responsibility to define the significance of votes placed on our behalf, and to be transparent with stakeholders and beneficiaries regarding outcomes.

Significant votes have been defined as votes which meet one or more of the following criteria:

- Votes relating to one of our key stewardship themes;
- Votes relating to an issuer to which the Scheme has a large £ exposure;
- Votes which may be inconsistent between investment managers; and

Votes identified due to potential controversy, driven by the size and public significance of a company, the nature of the resolution, and the weight of shareholder vote against management recommendation.

ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

The Scheme provides a facility for members to pay AVCs to enhance their benefits at retirement. Members typically use their AVC savings to provide some or all of their Pension Commencement Lump Sum and so the Trustee's objective is to provide a default investment and wider range of funds to meet a typical member's investment requirements. Members are directed to seek independent financial advice when considering their AVC arrangements.

The Trustee's AVC facility is currently provided by Scottish Widows, with the default investment being a lifestyle strategy consisting of the SW BlackRock 30/70 Currency Hedged Global Equity Index Fund switching into the BlackRock Sterling Liquidity Fund over a five-year period prior to reaching the member's Selected Retirement Age. The default strategy is offered alongside a self-select fund range from which members can personally choose to invest in.

The following managers and funds are available to members for their AVCs:

Fund	Benchmark
Default	
SW BlackRock 30/70 Currency Hedged Global Equity Index	BlackRock FTSE Custom Composite Net Tax (UK Pension) 95% Hedged GBP
SW BlackRock Sterling Liquidity	GBP SONIA
Self-Select Funds	
SW BlackRock 30/70 Currency Hedged Global Equity Index	BlackRock FTSE Custom Composite Net Tax (UK Pension) 95% Hedged GBP
SW BlackRock Over 15 Years UK Gilt Index	FTSE Actuaries UK Conventional Gilts Over 15 Years Midday (12:00 UK)
SW BlackRock UK Equity Index	FTSE Custom All-Share ESG Screened Midday (12:00 UK) NET Tax Index
SW Legal & General Diversified Fund	FTSE Developed World Index - 50% GBP Hedged
SW Property Fund	MSCI/AREF Monthly Property
SW BlackRock Sterling Liquidity	GBP SONIA

GOVERNANCE

The Trustee is responsible for the investment of the Scheme's assets. The Trustee takes some decisions themselves and delegate others. When deciding which decisions to take themselves and which to delegate, the Trustee has taken into account whether they have the appropriate training and expert advice in order to take an informed decision. The Trustee has formed an Investment Sub-Committee (ISC). This is a Trustee group who consults with company representatives and investment consultants. The group focuses time on investment issues to allow the Trustee to react more rapidly to emerging opportunities. The ISC has delegated decision making authority in some areas, as per the following decision making structure:

Trustee

- Monitor actual returns versus the Scheme's investment objective.
- Make ongoing decisions relevant to the operational aspects of the Scheme's investment strategy.
- Select and monitor the asset allocation.
- Select and monitor investment consultants and fund managers.
- Prepare and maintain the Statement of Investment Principles.
- Select and monitor direct investments (see below).

Investment Sub-committee

Investment Policy and asset allocation (recommendations made to the Trustee for approval)

- Consult the Sponsoring Employer on the investment objectives for the Scheme.
- Recommend suitable investment objectives for the Scheme.
- Review and monitor the Scheme's performance against the investment objectives and risk metrics set out in the Pension Risk Management Framework (PRMF).
- Recommend the asset allocation and investment restrictions that reflect the investment objectives agreed with the Trustee and sponsoring employer.
- Review the appropriateness of the investment objectives and resulting asset allocation from time to time and, where necessary, recommend changes.
- Maintain the Statement of Investment Principles, recommend changes and consult the Sponsoring Employer on any changes.
- Investigate the inclusion of additional asset classes within the asset allocation and recommend any appropriate changes.
- Implement changes to the asset allocation.
- Within the asset allocation agreed with the Trustee, the ISC can instruct where funds should be either invested or disinvested. This is primarily utilised for cash flow purposes.

Selection and monitoring of managers and custodian

- Monitor and review the performance of all investment managers (for the avoidance of doubt this includes the AVC provider and investment managers) and the custodian employed by the Scheme.
- Monitor and review the current AVC arrangements.
- Ensure quarterly reports are provided to the Trustee of the Scheme that provide sufficient detail to allow them to review the performance of the investment strategy and the ISC.
- Appoint or terminate the investment managers employed by the Scheme.
- Set the detailed terms of any mandate, subject to restrictions imposed by the Trustee, and agree or review the terms and conditions of the appointment of each manager.
- Appoint transition managers, where required, to oversee the transition of assets between investment managers.
- Appoint or terminate the custodian employed by the Scheme.
- Arrange banking facilities as required.

Investment Consultant

- Direct and monitor the work of the Investment Consultant on behalf of the Trustee and commission the consultant to carry out such work as required to fulfil their duties.
- Assess the performance of the Investment Consultant and report at least annually to the Trustee.
- Consider the appointment or termination of appointment of the Investment Consultant and make recommendations to the Trustee as appropriate.
- Ensure that any work undertaken by the Investment Consultant is within the budget guidelines set by the Trustee.

Communications

- Draft and, subject to the Trustee's agreement, issue communications to members of the Scheme on investment matters.

Training

- Review the training needs of the ISC and the Trustee in investment and related matters.

Investment Consultant

- Advise on all aspects of the investment of the Scheme's assets, including implementation and monitoring.
- Advise on this Statement.
- Provide required training.

Investment (Fund) Managers

- Operate within the terms of this Statement and their written contracts.
- Select individual investments with regard to their suitability and diversification.
- Advise Trustee on suitability of the indices in its benchmark.

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as direct investments.

The Trustee's policy is to review their direct investments and to obtain written advice about them at regular intervals (normally annually). These include vehicles available for members' AVCs. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to a fund manager.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this Statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

The Trustee's investment consultant has the knowledge and experience required under the Pensions Act 1995.

Manager monitoring

The Trustee expects the fund managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this Statement so far as is reasonably practicable.

To maintain alignment, the Trustee will monitor the extent to which the managers give effect to the policies set out in this Statement. Should the Trustee's monitoring process reveal that a manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the manager further to encourage alignment.

The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. When assessing a manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate a manager's appointment based purely on short term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.

The fund managers are remunerated on the basis of fees directly related to the value of funds under management. Managers are paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. In addition, where appropriate, performance fees may be utilised to incentivise managers.

The Trustee, with the help of the Investment Consultant, monitors the level of transaction costs (including commissions) incurred by the investment managers through the receipt of MiFID II compliant cost reporting. There is no targeted portfolio turnover (how frequently assets within a fund are bought and sold by investment managers) which the Trustee adheres to. The Trustee, with the help of the Investment Consultant, will monitor that the level of portfolio turnover remains appropriate in the context of the investment managers' strategy and the Scheme's asset allocation.

Safekeeping of assets

Appropriate arrangements are in place for independent custody of the investments managed by the pooled fund managers and these arrangements are managed by the managers.

The Trustee has appointed HSBC as the Scheme's custodian in respect of all instruments managed within the Schrodgers' segregated LDI portfolio.

The custodian is responsible for the safekeeping of the assets held by these vehicles and performs the administrative duties attached, such as the collection of income from the portfolios.